

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

 DOTE-00 INR-07 NSAE-00 FAA-00 L-02 SS-15 NSC-05 /051 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0349

INFO AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: EAIR, UK

SUBJ: CIVAIR - PANAM'S COMMISSION SYSTEM FOR SALES AGENTS

REF: STATE 86990 (NOTAL)

1. WE TOLD BROWN (DEPT. OF TRADE) THAT USG TAKES POSITION THAT COMMISSIONS TO AGENTS ARE NOT PART OF AIRLINE TARIFFS AND THEREFORE RATE PROVISIONS OF AIR TRANSPORT AGREEMENTS DO NOT APPLY. BROWN SAID UK DISAGREES AND UNLESS IATA RESOLVES PROBLEM OR PANAM BACKS DOWN, UK WILL ISSUE FORMAL WARNING TO CARRIER THAT TRADE SECRETARY WILL BE ASKED TO CONSIDER VARIATION OF PANAM'S UK OPERATING PERMISSION.

2. BROWN SAID IN ADDITION TO BRITISH, FRG, GREECE, NETHERLANDS, BELGIUM, ITALY AND AUSTRALIA HAVE ALL INDICATED THEY WILL INTERVENE TO PREVENT IMPLEMENTATION OF PANAM'S COMMISSION SYSTEM. SWISS AND IRISH HAVE REPORTEDLY WARNED CARRIERS THAT IF THEY TRY TO INTRODUCE PANAM SYSTEM, IT WILL BE DISAPPROVED. AUSTRIA HAS NOT REACHED DECISION BUT, ACCORDING TO BROWN, INCLINED TO OPPOSE ANY CHANGE IN EXISTING SYSTEM. SCANS, IBERIANS AND FRENCH HAVE ADOPTED WAIT-AND-SEE ATTITUDE.

3. COMMENT: BRITISH CLEARLY BELIEVE THAT IF PANAM IS
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ALLOWED TO INTRODUCE ITS COMMISSION SCHEME IT WILL LEAD

TO A COMMISSION "PRICE WAR" AMONG CARRIERS AND ALL WILL SUFFER. ALTHOUGH PANAM HAS UNDOUBTEDLY ACHIEVED PUBLIC RELATIONS COUP WITH TRAVEL TRADE IT HAS COST IT DEARLY IN TERMS OF ITS STANDING WITH GOVERNMENT OFFICIALS. AS BROWN PUT IT, THERE ARE SOME IN EUROPE WHO REGARD PANAM ACTION AS SYMPTOMATIC OF ITS INCREASINGLY DESPERATE FINANCIAL CONDITION WHICH IS NOW DRIVING CARRIER TO TAKE IRRESPONSIBLE ACTIONS FOR SHORT TERM COMPETITIVE ADVANTAGE. ALTHOUGH BROWN OFTEN OVERSTATES UK POSITION, WE BELIEVE IN THIS CASE, UK MEANS BUSINESS AND IF FORCED TO DO SO, WILL UNILATERALLY AMEND PANAM'S PERMIT IN SUCH A WAY AS TO PREVENT IMPLEMENTATION OF COMMISSION SCHEME. IF THIS HAPPENS, US WILL BE FORCED TO DEPART FROM NEUTRAL POSITION ON POLICY ISSUE AND AWKWARD CONFRONTATION COULD OCCUR.

MILLER

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Message Attributes

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Margaret P. Grafeld
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